

AMENDED IN SENATE MARCH 15, 2000

AMENDED IN SENATE FEBRUARY 23, 2000

**SENATE BILL**

**No. 1362**

**Introduced by Senators Poochigian and Johannessen**

**(Coauthors: Senators Costa, *Dunn*, Haynes, McPherson,**

**Monteith, Morrow, Peace, and ~~Rainey~~) *Rainey, and Solis*)**

(Coauthors: Assembly Members Alquist, Baldwin, Bates, Battin, Bock, Brewer, *Briggs*, Campbell, Cardoza, Correa, Cox, Dickerson, House, Maddox, Maldonado, Mazzoni, Olberg, Oller, Rod Pacheco, Reyes, Runner, Strickland, and Wiggins)

January 18, 2000

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An act to amend ~~Section 276 of, to amend~~ and repeal Section 205.5 of, ~~and to add Sections 276.1 and 276.2 to,~~ 276.2, *and 276.3 to, and to repeal and add Section 276 of,* the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1362, as amended, Poochigian. Disabled veterans' exemption.

Existing property tax law provides, pursuant to the authorization of the California Constitution, for the exemption from property taxation of the home of a disabled veteran, or a veteran's spouse in the case in which the veteran has, as a result of a service-connected disease or injury, died while on active duty in military service. Existing property tax law specifies an exemption amount of \$40,000 and increases

that amount to \$100,000 in the case in which the disabled veteran is completely disabled. Existing law increases these amounts to \$60,000 and \$150,000, respectively, if the exemption claimant's income does not exceed an amount stated in a specified statute. Existing law also repeals the higher exemption amounts with regard to totally disabled veterans as of January 1, 2001.

This bill would eliminate this repeal and would, for purposes of an income threshold, substitute an income level of \$40,000 for the amount specified by a certain statute. This bill would provide for the annual adjustment of that income level for inflation for the 2002 assessment year and each assessment year thereafter. *This bill would also require the exemption to be in the amount of \$100,000, or in the amount of \$150,000 if the claimant's income does not exceed the adjusted income threshold.*

Existing property tax law generally requires an affidavit for the disabled veterans' exemption to be filed no later than the February 15 following the relevant lien date. It also provides for partial exemptions, each applicable as provided and contingent upon an affidavit being no later than the December 10 following the lien date, of the lesser of either certain amounts of assessed value or 80% of the full value of the real property to which the exemption is to be applied.

*This bill would, subject to a specified minimum exemption level and a 4-year limitations period, revise and recast current partial exemption provisions to require the cancellation or refund of either 90% or 85% of those taxes, including any interest and penalties, levied on that portion of the property's assessed value that would have been exempted under a timely exemption claim, depending upon whether a claim is filed either before, or on or after, the December 10 following the lien date.*

This bill would, if the exemption would have been available but for the claimant not having received a disability rating from the United States Department of Veterans Affairs, require the refund or cancellation of taxes on that portion of the assessed value of the property that would have been exempt under a timely and appropriate affidavit, provided a claimant meets certain filing requirements.



This bill would, in the case in which the subject real property was only acquired after the property tax lien date, also require the cancellation or refund of those taxes levied on the full exemption amount or a prorated amount, provided an appropriate affidavit is filed on or before the next property tax lien date.

~~This bill would also make technical, conforming changes.~~

*This bill would also provide for the termination of a disabled veterans' exemption upon that subject property being transferred to a 3rd party that is not eligible for that exemption.*

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 205.5 of the Revenue and  
2 Taxation Code, as amended by Section 16.5 of Chapter  
3 1087 of the Statutes of 1996, is amended to read:  
4 205.5. (a) Property that is owned by, and that  
5 constitutes the principal place of residence of, a veteran  
6 is exempted from taxation on that part of the full value of  
7 the residence that does not exceed ~~forty thousand dollars~~  
8 ~~(\$40,000)~~ *one hundred thousand dollars (\$100,000)*, if the  
9 veteran is blind in both eyes ~~or~~, has lost the use of two or  
10 more limbs ~~as a result of injury or disease incurred in~~  
11 ~~military service or that does not exceed one hundred~~  
12 ~~thousand dollars (\$100,000), or if the veteran is totally~~  
13 ~~disabled as a result of injury or disease incurred in military~~  
14 ~~service. The forty thousand dollar (\$40,000) exemption~~

1 ~~shall be sixty thousand dollars (\$60,000), and the one~~  
2 hundred thousand dollar (\$100,000) exemption shall be  
3 one hundred fifty thousand dollars (\$150,000), in the case  
4 of an eligible veteran whose household income does not  
5 exceed the amount of forty thousand dollars (\$40,000), as  
6 adjusted for the relevant assessment year as provided in  
7 subdivision (g).

8 (b) For purposes of this section, “veteran” means  
9 either of the following:

10 (1) A veteran as specified in subdivision (o) of Section  
11 3 of Article XIII of the Constitution without regard to any  
12 limitation contained therein on the value of property  
13 owned by the veteran or the veteran’s spouse.

14 (2) Any person who would qualify as a veteran  
15 pursuant to paragraph (1) except that he or she has, as a  
16 result of a service-connected injury or disease died while  
17 on active duty in military service. The United States  
18 Department of Veterans Affairs shall determine whether  
19 an injury or disease is service connected.

20 (c) (1) Property that is owned by, and that constitutes  
21 the principal place of residence of, the unmarried  
22 surviving spouse of a veteran is exempt from taxation on  
23 that part of the full value of the residence that does not  
24 exceed ~~forty thousand dollars (\$40,000)~~ *one hundred*  
25 *thousand dollars (\$100,000)*, in the case of a veteran who  
26 was blind in both eyes ~~or~~, had lost the use of two or more  
27 limbs, or ~~one hundred thousand dollars (\$100,000), in the~~  
28 ~~case of a veteran who~~ was totally disabled provided that  
29 either of the following conditions is met:

30 (A) The deceased veteran during his or her lifetime  
31 qualified in all respects for the exemption or would have  
32 qualified for the exemption under the laws effective on  
33 January 1, 1977, except that the veteran died prior to  
34 January 1, 1977.

35 (B) The veteran died from a disease that was service  
36 connected as determined by the United States  
37 Department of Veterans Affairs.

38 ~~The forty thousand dollar (\$40,000) exemption shall be~~  
39 ~~sixty thousand dollars (\$60,000), and the one hundred~~

1    *The one hundred* thousand dollar (\$100,000)  
2 exemption shall be one hundred fifty thousand dollars  
3 (\$150,000), in the case of an eligible unmarried surviving  
4 spouse whose household income does not exceed the  
5 amount of forty thousand dollars (\$40,000), as adjusted for  
6 the relevant assessment year as provided in subdivision  
7 (g).

8    (2) Commencing with the 1994–95 fiscal year,  
9 property that is owned by, and that constitutes the  
10 principal place of residence of, the unmarried surviving  
11 spouse of a veteran as described in paragraph (2) of  
12 subdivision (b) is exempt from taxation on that part of the  
13 full value of the residence that does not exceed one  
14 hundred thousand dollars (\$100,000). The one hundred  
15 thousand dollar (\$100,000) exemption shall be one  
16 hundred fifty thousand dollars (\$150,000), in the case of  
17 an eligible unmarried surviving spouse whose household  
18 income does not exceed the amount of forty thousand  
19 dollars (\$40,000), as adjusted for the relevant assessment  
20 year as provided in subdivision (g).

21    (d) As used in this section, “property that is owned by  
22 a veteran” or “property that is owned by the veteran’s  
23 unmarried surviving spouse” includes all of the following:

24    (1) Property owned by the veteran with the veteran’s  
25 spouse as a joint tenancy, tenancy in common or as  
26 community property.

27    (2) Property owned by the veteran or the veteran’s  
28 spouse as separate property.

29    (3) Property owned with one or more other persons to  
30 the extent of the interest owned by the veteran, the  
31 veteran’s spouse, or both the veteran and the veteran’s  
32 spouse.

33    (4) Property owned by the veteran’s unmarried  
34 surviving spouse with one or more other persons to the  
35 extent of the interest owned by the veteran’s unmarried  
36 surviving spouse.

37    (5) So much of the property of a corporation as  
38 constitutes the principal place of residence of a veteran  
39 or a veteran’s unmarried surviving spouse when the  
40 veteran, or the veteran’s spouse, or the veteran’s

1 unmarried surviving spouse is a shareholder of the  
2 corporation and the rights of shareholding entitle one to  
3 the possession of property, legal title to which is owned by  
4 the corporation. The exemption provided by this  
5 paragraph shall be shown on the local roll and shall  
6 reduce the full value of the corporate property.  
7 Notwithstanding any provision of law or articles of  
8 incorporation or bylaws of a corporation described in this  
9 paragraph, any reduction of property taxes paid by the  
10 corporation shall reflect an equal reduction in any  
11 charges by the corporation to the person who, by reason  
12 of qualifying for the exemption, made possible the  
13 reduction for the corporation.

14 (e) For purposes of this section, being blind in both  
15 eyes means having a visual acuity of 5/200 or less, *or*  
16 *concentric contraction of the visual field to 5 degrees or*  
17 *less*; losing the use of a limb means that the limb has been  
18 amputated or its use has been lost by reason of ankylosis,  
19 progressive muscular dystrophies, or paralysis; and being  
20 totally disabled means that the United States Department  
21 of Veterans Affairs or the military service from which the  
22 veteran was discharged has rated the disability at 100  
23 percent or has rated the disability compensation at 100  
24 percent by reason of being unable to secure or follow a  
25 substantially gainful occupation.

26 (f) An exemption granted to a claimant in accordance  
27 with the provisions of this section shall be in lieu of the  
28 veteran's exemption provided by subdivisions (o), (p),  
29 (q), and (r) of Section 3 of Article XIII of the Constitution  
30 and any other real property tax exemption to which the  
31 claimant may be entitled. No other real property tax  
32 exemption may be granted to any other person with  
33 respect to the same residence for which an exemption has  
34 been granted under the provisions of this section;  
35 provided, that if two or more veterans qualified pursuant  
36 to this section coown a property in which they reside,  
37 each is entitled to the exemption to the extent of his or her  
38 interest.

39 (g) To determine, for taxes that attach as a lien in 2002  
40 and in each calendar year thereafter, whether the lower

1 or higher exemption amount, ~~or the lower or higher pair~~  
 2 ~~of exemption amounts~~, governs the amount of an  
 3 exemption under this section, each household income  
 4 amount applied under subdivision (a) or (c) for taxes that  
 5 attached as a lien during the immediately preceding  
 6 calendar year shall be adjusted by an inflation factor that  
 7 is the percentage change, rounded to the nearest  
 8 one-thousandth of 1 percent, from October of the prior  
 9 fiscal year to October of the current fiscal year, in the  
 10 California Consumer Price Index for all items, as  
 11 determined by the California Department of Industrial  
 12 Relations.

13 SEC. 2. Section 205.5 of the Revenue and Taxation  
 14 Code, as amended by Section 17 of Chapter 1087 of the  
 15 Statutes of 1996, is repealed.

16 ~~SEC. 3. Section 276 of the Revenue and Taxation~~  
 17 ~~Code is amended to read:~~

18 ~~276. (a) If neither of the exemptions provided for in~~  
 19 ~~Sections 276.1 and 276.2 applies, a claimant for the~~  
 20 ~~disabled veterans' property tax exemption may qualify~~  
 21 ~~for a partial exemption if the claimant fails to file the~~  
 22 ~~required affidavit with the assessor by 5 p.m. on February~~  
 23 ~~15 of the calendar year in which the fiscal year begins, but~~  
 24 ~~files the claim on or before the following December 10.~~  
 25 ~~Late-filed claims for the forty thousand dollar (\$40,000)~~  
 26 ~~exemption provided in Section 205.5 shall receive the~~  
 27 ~~lesser of thirty-two thousand dollars (\$32,000) or 80~~  
 28 ~~percent of the full value of the dwelling. Late-filed claims~~  
 29 ~~for the sixty thousand dollar (\$60,000) exemption~~  
 30 ~~provided in Section 205.5, when filed in conjunction with~~  
 31 ~~late-filed claims for the forty thousand dollar (\$40,000)~~  
 32 ~~exemption, shall receive the lesser of forty-eight thousand~~  
 33 ~~dollars (\$48,000) or 80 percent of the full value of the~~  
 34 ~~dwelling. Late-filed claims for the sixty thousand dollar~~  
 35 ~~(\$60,000) exemption, when filed in conjunction with~~  
 36 ~~timely filed claims for the forty thousand dollar (\$40,000)~~  
 37 ~~exemption, shall receive the lesser of fifty-six thousand~~  
 38 ~~dollars (\$56,000) or forty thousand dollars (\$40,000) plus~~  
 39 ~~80 percent of the full value of the dwelling over forty~~  
 40 ~~thousand dollars (\$40,000). Late-filed claims for the one~~



1 ~~hundred thousand dollar (\$100,000) exemption provided~~  
2 ~~in Section 205.5 shall receive the lesser of eighty thousand~~  
3 ~~dollars (\$80,000) or 80 percent of the full value of the~~  
4 ~~dwelling. Late filed claims for the one hundred fifty~~  
5 ~~thousand dollar (\$150,000) exemption provided in~~  
6 ~~Section 205.5, when filed in conjunction with late filed~~  
7 ~~claims for the one hundred thousand dollar (\$100,000)~~  
8 ~~exemption, shall receive the lesser of one hundred twenty~~  
9 ~~thousand dollars (\$120,000) or 80 percent of the full value~~  
10 ~~of the dwelling. Commencing with the 1990-91~~  
11 ~~assessment year, late filed claims for the one hundred~~  
12 ~~fifty thousand dollar (\$150,000) exemption, when filed in~~  
13 ~~conjunction with timely filed claims for the one hundred~~  
14 ~~thousand dollar (\$100,000) exemption, shall receive the~~  
15 ~~lesser of one hundred forty thousand dollars (\$140,000) or~~  
16 ~~one hundred thousand dollars (\$100,000) plus 80 percent~~  
17 ~~of the full value of the dwelling over one hundred~~  
18 ~~thousand dollars (\$100,000).~~

19 ~~(b) On those claims filed pursuant to subdivision (a)~~  
20 ~~after November 15, this exemption may be applied to the~~  
21 ~~second installment, and if applied to the second~~  
22 ~~installment, the first installment will still become~~  
23 ~~delinquent on December 10, and the delinquent penalty~~  
24 ~~provided for in this division will attach if the tax amount~~  
25 ~~due is not paid.~~

26 ~~If this exemption is applied to the second installment~~  
27 ~~and if both installments are paid on or before December~~  
28 ~~10, or if the reduction in taxes from this exemption~~  
29 ~~exceeds the amount of taxes due on the second~~  
30 ~~installment, a refund shall be made to the taxpayer upon~~  
31 ~~a claim submitted by the taxpayer to the auditor.~~

32 *SEC. 3. Section 276 of the Revenue and Taxation*  
33 *Code is repealed.*

34 ~~276. (a) A claimant for the disabled veterans'~~  
35 ~~property tax exemption may qualify for a partial~~  
36 ~~exemption if the claimant fails to file the required~~  
37 ~~affidavit with the assessor by 5 p.m. on February 15 of the~~  
38 ~~calendar year in which the fiscal year begins, but files the~~  
39 ~~claim on or before the following December 10. Late-filed~~  
40 ~~claims for the forty thousand dollar (\$40,000) exemption~~



1 provided in Section 205.5 shall receive the lesser of  
2 thirty-two thousand dollars (\$32,000) or 80 percent of the  
3 full value of the dwelling. Late-filed claims for the sixty  
4 thousand dollar (\$60,000) exemption provided in Section  
5 205.5, when filed in conjunction with late-filed claims for  
6 the forty thousand dollar (\$40,000) exemption, shall  
7 receive the lesser of forty-eight thousand dollars  
8 (\$48,000) or 80 percent of the full value of the dwelling.  
9 Late-filed claims for the sixty thousand dollar (\$60,000)  
10 exemption, when filed in conjunction with timely filed  
11 claims for the forty thousand dollar (\$40,000) exemption,  
12 shall receive the lesser of fifty-six thousand dollars  
13 (\$56,000) or forty thousand dollars (\$40,000) plus 80  
14 percent of the full value of the dwelling over forty  
15 thousand dollars (\$40,000). Late-filed claims for the one  
16 hundred thousand dollar (\$100,000) exemption provided  
17 in Section 205.5 shall receive the lesser of eighty thousand  
18 dollars (\$80,000) or 80 percent of the full value of the  
19 dwelling. Late-filed claims for the one hundred fifty  
20 thousand dollar (\$150,000) exemption provided in  
21 Section 205.5, when filed in conjunction with late-filed  
22 claims for the one hundred thousand dollar (\$100,000)  
23 exemption, shall receive the lesser of one hundred twenty  
24 thousand dollars (\$120,000) or 80 percent of the full value  
25 of the dwelling. Commencing with the 1990-91  
26 assessment year, late-filed claims for the one hundred  
27 fifty thousand dollar (\$150,000) exemption, when filed in  
28 conjunction with timely filed claims for the one hundred  
29 thousand dollar (\$100,000) exemption, shall receive the  
30 lesser of one hundred forty thousand dollars (\$140,000) or  
31 one hundred thousand dollars (\$100,000) plus 80 percent  
32 of the full value of the dwelling over one hundred  
33 thousand dollars (\$100,000).

34 (b) On those claims filed pursuant to subdivision (a)  
35 after November 15, this exemption may be applied to the  
36 second installment, and if applied to the second  
37 installment, the first installment will still become  
38 delinquent on December 10, and the delinquent penalty  
39 provided for in this division will attach if the tax amount  
40 due is not paid.

~~If this exemption is applied to the second installment and if both installments are paid on or before December 10, or if the reduction in taxes from this exemption exceeds the amount of taxes due on the second installment, a refund shall be made to the taxpayer upon a claim submitted by the taxpayer to the auditor.~~

SEC. 4. Section 276 is added to the Revenue and Taxation Code, to read:

276. (a) Except as otherwise provided by subdivision (b), for property for which the disabled veterans' exemption described in Section 205.5 was available, but for which a timely claim was not filed, a partial exemption shall be applied in accordance with whichever of the following is applicable:

(1) Ninety percent of any tax, including any interest or penalty thereon, levied upon that portion of the assessed value of the property that would have been exempt under a timely and appropriate claim shall be canceled or refunded, provided that an appropriate claim for exemption is filed prior to December 10 of the calendar year in which a timely claim was not filed.

(2) If an appropriate claim for exemption is filed on or after the date specified in paragraph (1) but no later than four years after the last date for the filing of a timely claim, 85 percent of that portion of any tax, including any interest or penalty thereon, that was levied upon that portion of the assessed value of the property that would have been exempt under a timely and appropriate claim, shall be canceled or refunded.

(b) (1) Notwithstanding subdivision (a), that portion of any tax, including an interest or penalty thereon, that is in excess of two hundred fifty dollars (\$250) and was levied upon that portion of the assessed value of the property that would have been exempt under a timely and appropriate claim, shall be canceled or refunded under an exemption described in either paragraph (1) or (2) of subdivision (a).

(2) If a late-filed claim for the sixty thousand dollar (\$60,000) exemption or the one hundred fifty thousand dollar (\$150,000) exemption is filed in conjunction with

1 *a timely filed claim for the forty thousand dollar (\$40,000)*  
2 *or one hundred thousand dollar (\$100,000) exemption,*  
3 *the amount of any exemption allowed under the late-filed*  
4 *claim under subdivision (a) shall be determined on the*  
5 *basis of that portion of the exemption amount, otherwise*  
6 *available under subdivision (a), that exceeds forty*  
7 *thousand dollars (\$40,000) or one hundred thousand*  
8 *dollars (\$100,000), as applicable.*

9 ~~SEC. 4.—~~

10 *SEC. 5.* Section 276.1 is added to the Revenue and  
11 Taxation Code, to read:

12 276.1. For property for which the disabled veterans'  
13 exemption described in Section 205.5 would have been  
14 available but for the taxpayer's failure to receive a timely  
15 disability rating from the United States Department of  
16 Veterans Affairs (USDVA), there shall be canceled or  
17 refunded the amount of any taxes, including any interest  
18 and penalties thereon, levied on that portion of the  
19 assessed value of the property that would have been  
20 exempt under a timely and appropriate claim, provided  
21 that the claimant meets both of the following conditions:

22 (a) The claimant had an application pending with the  
23 USDVA for a disability rating and subsequently received  
24 a rating that qualifies the claimant for the disabled  
25 veterans' exemption described in Section 205.5.

26 (b) The claimant subsequently files an appropriate  
27 claim for the disabled veterans' exemption described in  
28 Section 205.5 on or before the next following lien date.

29 ~~SEC. 5.—~~

30 *SEC. 6.* Section 276.2 is added to the Revenue and  
31 Taxation Code, to read:

32 276.2. If the disabled veterans' exemption as  
33 described in Section 205.5 would have been available for  
34 a property, but for that property being acquired by a  
35 person eligible for the exemption only after the lien date,  
36 and an appropriate application for that exemption is filed  
37 on or before the lien date in the calendar year next  
38 following the calendar year in which the property was  
39 acquired, there shall be canceled or refunded the amount  
40 of any taxes, including any interest and penalties thereon,

1 levied on that portion of the assessed value of the  
2 property that would have been exempt under a timely  
3 and appropriate application.

4 ~~SEC. 6.—~~

5 *SEC. 7. Section 276.3 is added to the Revenue and*  
6 *Taxation Code, to read:*

7 *276.3. In the event that property receiving a disabled*  
8 *veterans' exemption as described in Section 205.5 is sold*  
9 *or otherwise transferred to a person that is not eligible for*  
10 *that exemption, the exemption shall cease to apply on the*  
11 *date of that sale or transfer.*

12 *SEC. 8. Notwithstanding Section 2229 of the Revenue*  
13 *and Taxation Code, no appropriation is made by this act*  
14 *and the state shall not reimburse any local agency for any*  
15 *property tax revenues lost by it pursuant to this act.*

16 ~~SEC. 7.—~~

17 *SEC. 9. This act provides for a tax levy within the*  
18 *meaning of Article IV of the Constitution and shall go into*  
19 *immediate effect.*

